

# Insurance Commissioner Issues Warning: Beware of Unlicensed Health Plans

State Insurance Commissioner Mike Pickens issues a warning to Arkansas consumers and employers in hopes of averting the operations of illegal and unlicensed health plan organizations within the State of Arkansas. Unauthorized health plans have left thousands of dollars worth of unpaid claims in Arkansas. Arkansas insurance consumers have been left with unpaid medical bills and are being pursued by collection agencies.

“The Insurance Department has uncovered a number of illegal entities selling unlicensed products to Arkansans,” Commissioner Pickens said. “We want to encourage consumers to check out the company that’s attempting to sell them a ‘bargain’ health plan. Consumers should make sure such a company is legitimate and licensed to sell those products in the State of Arkansas.”

The Arkansas Insurance Department will warn consumers about illegal entities through a program entitled ***Check Before You Select!***, which will kick off early this fall. The program is designed to alert consumers of unlicensed companies operating in Arkansas and to educate them on typical selling techniques used by those organizations.

These companies, some of which are known as multiple employer welfare arrangements, or MEWAs, generally tell potential buyers they are exempt from state regulation and are regulated by the federal government under the Employee Retirement Income Security Act (“ERISA”). The Arkansas Insurance Department has found that these claims can be false.

MEWAs and other unauthorized health entities are not covered by the State’s Life and Health Guaranty Fund, should the company become insolvent. Without the coverage of a guaranty fund in the event of an insolvency, enrollees would likely be responsible for medical expenses incurred during the time they believed they were covered by the illegal company.

In the past year, the Arkansas Insurance Department issued Cease and Desist Orders to three illegal companies, American Benefit Plans, AMS Staff Leasing, and TRG. Other companies are currently under investigation by the Department.

The Arkansas Insurance Department encourages consumers to ***Check Before You Select!*** by calling its Consumer Services Division at 1-800-852-5494, to verify the company being considered is licensed to operate in the State of Arkansas.

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## Illegal Entity (MEWA) Warning Tips:

- **Beware if a licensed insurance agent attempts to sell you health coverage that claims to be an ERISA plan.**
- **Be skeptical if premiums seem low, compared to other plans; or if the plan offers coverage without a pre-existing clause. If a plan seems too good to be true, it probably is!**
- **Investigate offers that avoid the word “insurance” or the use of insurance terminology**
- **Watch out for terms like “consultant fees” (instead of commissions) and those that refer to payments as “contributions.”**
- **Be skeptical if companies fail to disclose name of carrier for products they claim to be “fully insured” or “fully funded.”**
- **Investigate a company if enrollees are required to join and pay dues to an “association” to obtain health coverage.**